

TABLE OF CONTENTS
(continued)

	Page
SECTION 10.1. Representations and Warranties of the Buyer and Level 3	57
SECTION 10.2. Performance of the Obligations of the Buyer and Level 3	58
SECTION 10.3. HSR Act	58
SECTION 10.4. No Violation of Orders	58
SECTION 10.5. No Material Adverse Change	58
SECTION 10.6. Lease Agreement	58
SECTION 10.7. Registration Rights Agreement	58
SECTION 10.8. Securities Matters	58
SECTION 10.9. Opinion of Counsel	58
SECTION 10.10. Other Closing Documents	58
SECTION 10.11. SBC Consent to Assignment	58
SECTION 10.12. The Buyer Reimbursements; Cash Balance	59
SECTION 11. CONDITIONS PRECEDENT TO PERFORMANCE BY THE BUYER AND LEVEL 3	59
SECTION 11.1. Representations and Warranties of Leucadia and the Seller	59
SECTION 11.2. Performance of the Obligations of Leucadia and the Seller	59
SECTION 11.3. Approvals	59
SECTION 11.4. HSR Act	59
SECTION 11.5. No Violation of Orders	59
SECTION 11.6. No Pension Plan Termination	60
SECTION 11.7. No Material Adverse Change	60
SECTION 11.8. Pre-Closing Transfers	60
SECTION 11.9. The Company's Credit Documents	60
SECTION 11.10. The Company's Real Estate Debt Documents	60
SECTION 11.11. Lease Agreement	60
SECTION 11.12. Registration Rights Agreement	60
SECTION 11.13. Opinion of Counsel	60
SECTION 11.14. Other Closing Documents	60
SECTION 11.15. Tax Related Documentation	61
SECTION 11.16. The Seller Pre-Closing Transfers, Reimbursements and Cash Balance	61

TABLE OF CONTENTS
(continued)

	Page
SECTION 12. TERMINATION.....	61
SECTION 12.1. Conditions of Termination.....	61
SECTION 12.2. Effect of Termination.....	62
SECTION 13. MISCELLANEOUS.....	62
SECTION 13.1. Successors and Assigns.....	62
SECTION 13.2. Governing Law, Jurisdiction.....	62
SECTION 13.3. Expenses	62
SECTION 13.4. Severability	63
SECTION 13.5. Notices	63
SECTION 13.6. Parent Guaranties.....	64
SECTION 13.7. Amendments; Waivers.....	64
SECTION 13.8. Public Announcements	64
SECTION 13.9. Entire Agreement	64
SECTION 13.10. Parties in Interest.....	64
SECTION 13.11. Scheduled Disclosures	64
SECTION 13.12. Section and Paragraph Headings	65
SECTION 13.13. Counterparts.....	65

INDEX TO SCHEDULES

1.1	Adjusted Net Working Capital Categories
1.2	Seller's Knowledge
1.5(a)	Miscellaneous Retention Plans
1.5(b)	Former Executive Retention Agreements
3.4	Estimate of Adjusted Net Working Capital
5.1	Subsidiaries
5.2	Qualification to do Business
5.3	No Conflict or Violation
5.4	Leucadia/Seller/Company Consents and Approvals
5.6(b)	Capitalization and Related Matters
5.7	Equity Investments
5.8	Financial Statements
5.9	Absence of Certain Changes or Events
5.10	Tax Matters
5.11	Absence of Undisclosed Liabilities
5.12(a)	Owned Real Property
5.12(b)	Leased Real Property
5.12(c)	Lease Amendments Adverse to the Businesses
5.12(d)	Agreements Affecting Company Real Property
5.12(e)	Material Improvements, Systems and Fixtures
5.13(a)	Assets of the Company and the Retained Subsidiaries
5.14(a)	Unlicensed IP/Non-Compliance
5.14(b)	Listed Intellectual Property
5.14(c)	Agreements relating to the Intellectual Property
5.14(d)	Intellectual Property Claims and Indemnification Agreements
5.15	Licenses and Permits
5.16	Compliance with Law
5.17	Litigation
5.18(a)	Contracts
5.18(f)	Contracts with Beneficial Pricing Clauses
5.18(h)	Maximum Liability - Leased Shared Network Circuits
5.18(i)	Shared Network Circuits
5.19(a)	Employee Benefit Plans
5.19(g)	Claims/Actions against Employee Benefit Plans
5.19(h)	ERISA Non-Compliance/Company Securities Included in Assets of Employee Benefit Plans
5.19(i)	Employee Benefit Plan Payments
5.19(j)	OPEB Plans Participants
5.20	Insurance
5.21	Transactions with Directors, Officers, Managers and Affiliates
5.22(a)	Top Suppliers
5.22(b)	Top Customers
5.23(a)	Non-Terminable Employment Agreements/ Employment Agreements Requiring Payments/Consulting Agreements
5.23(b)	Labor Law Violations/Notices

5.23(c)(i)	Maximum Aggregate Severance
5.23(c)(ii)	Maximum Aggregate Obligations Under Company Plans
5.24	Environmental Matters
5.27(a)	SBC Credits, Refunds or Payments
5.27(b)	Included Services Billed Amounts
5.27(c)	SBC Material Disputes
6.4	Buyer/Level 3 Consents and Approvals
6.6	Capitalization and Related Matters
7.1(a)	Conduct of Businesses Before Closing Date
7.1(a)(vii)	New Employment Plans/Arrangements
7.1(b)(vi)	Capital Expenditure Projects
7.4	Excluded Assets; Excluded Liabilities
Annex A to 7.4	WilTel Technology Center, LLC Assets
7.7(a)	Leases to be Renewed
7.7(b)	Leases to Expire
7.7(c)	Leases to be Terminated
9.2(a)	Leucadia Covered Matters
9.3(a)(iii)	Level 3 Covered Matters
10.6	Form of Lease Agreement for Company's Tulsa, Oklahoma headquarters
10.9	Form of Opinion of Counsel to the Buyer
10.11	SBC Consent to Assignment
11.3	Required Consents and Approvals
11.13	Form of Opinion of Counsel to the Seller

INDEX TO EXHIBITS

Exhibit A	Form of Registration Rights Agreement
-----------	---------------------------------------

PURCHASE AGREEMENT

PURCHASE AGREEMENT, dated as of October 30, 2005 (this "Agreement"), by and among Leucadia National Corporation, a New York corporation ("Leucadia"), Baldwin Enterprises, Inc., a Colorado corporation and wholly owned Subsidiary of Leucadia (the "Seller"), Level 3 Communications, LLC, a Delaware limited liability company (the "Buyer"), and Level 3 Communications, Inc., a Delaware corporation ("Level 3").

W I T N E S S E T H:

WHEREAS, WilTel Communications Group, LLC, a Nevada limited liability company (the "Company"), is a telecommunications company that, together with its Subsidiaries, conducts the Telecommunications Business and the Vyvx Business (together, the "Businesses");

WHEREAS, Seller owns all of the issued and outstanding membership units of the Company (the "Membership Units"); and

WHEREAS, the Buyer desires to purchase the Membership Units from the Seller, and the Seller desires to sell the Membership Units to the Buyer, in each case, upon the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the respective covenants and agreements hereinafter contained, the parties hereby agree as follows:

SECTION 1. DEFINITIONS.

As used in this Agreement, the following terms shall have the following meanings:

"Action" -- See Section 5.17;

"Actual Adjusted Net Working Capital" -- See Section 3.2;

"Actual Adjusted Net Working Capital Report" -- See Section 3.2;

"Additional Cash Amount" -- See Section 2.1;

"Adjusted Net Working Capital" shall mean the amount equal to (i) those current assets of the Company and the Retained Subsidiaries (other than Excluded Assets) on a consolidated basis in the balance sheet categories identified on Schedule 1.1 as being included in the calculation of Adjusted Net Working Capital (it being understood that current assets will be deemed to be increased by the remaining balance of any reserve as of the Measurement Date that had been established on or prior to October 24, 2005 by the Company or the Retained Subsidiaries in respect of SBC disputes as to which written claims have been received by the Company or its Subsidiaries on or before October 24, 2005, which increase shall not exceed the amount of reserves set forth on Schedule 5.27(c)) minus (ii) those current liabilities of the Company and the Retained Subsidiaries (other than Excluded Liabilities) on a consolidated basis

in the balance sheet categories identified on Schedule 1.1 as being included in the calculation of Adjusted Net Working Capital, in each case, as of the close of business on the Measurement Date, and determined in accordance with GAAP applied on a consistent basis consistent with, and following the accounting principles, procedures, policies and methods employed in preparing, the August 31 Balance Sheet;

“Affiliates” shall mean, with respect to a Person, any Person, directly or indirectly, controlling, controlled by or under common control with the Person specified;

“Agreement” -- See Preamble hereto;

“Aircraft Leases” shall mean (i) Sublease and Consent Agreement between CXL Aviation, LLC (sublessor) and WilTel Aircraft Leasing, LLC (subleasee), dated September 30, 2005 (regarding N359WC), (ii) Sublease and Consent Agreement between CX Aviation, LLC (sublessor) and WilTel Aircraft Leasing, LLC (subleasee), dated September 30, 2005 (regarding N358WC) and (iii) Hangar Lease Agreement between Tulsair Beechcraft, Inc. and Williams Communications, LLC, dated April 25, 2001;

“Allocation” -- See Section 2.4(a);

“August 31 Balance Sheet” -- See Section 3.1(b);

“August Financial Statements” -- See Section 5.8;

“Benefit Plan Substitution Right” -- See Section 2.2(b);

“Businesses” -- See Recitals hereto;

“Business Day” shall mean a day other than a Saturday, Sunday or other day on which banks in the State of New York are required or authorized to close;

“Buyer” -- See Preamble hereto;

“Buyer Indemnitees” -- See Section 9.2(a);

“Cash Purchase Price” -- See Section 2.1;

“Cash Substitution Right” -- See Section 2.2(a);

“Closing” -- See Section 4;

“Closing Balance Sheet” -- See Section 3.2;

“Closing Date” -- See Section 4;

“COBRA” shall mean the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, including rules and regulations adopted thereunder;

“Code” shall mean the Internal Revenue Code of 1986, as amended;

“Commission” shall mean the Securities and Exchange Commission;

“Company” -- See Recitals hereto;

“Company’s Credit Documents” shall mean the (i) Third Amended and Restated Credit and Guaranty Agreement, dated as of September 24, 2004, among the Company, WilTel Communications, LLC, certain of its domestic Subsidiaries, as loan parties, the several banks and other financial institutions or entities from time to time parties thereto as lenders, Credit Suisse First Boston, acting through its Cayman Islands branch, as administrative agent, as first lien administrative agent and as second lien administrative agent, and Wells Fargo Foothill, LLC, as syndication agent, and (ii) First Amendment to Third Amended and Restated Credit and Guaranty Agreement, dated as of September 2, 2005, (iii) Second Amended and Restated Security Agreement, dated as of September 24, 2004, among the Company, WilTel Communications, LLC, and the additional grantors party thereto in favor of Credit Suisse First Boston, acting through its Cayman Islands branch, as administrative agent, as first lien administrative agent and as second lien administrative agent and (iv) and any related UCC financing statements filed by the lenders a party thereto;

“Company’s Real Estate Debt Documents” shall mean the (i) Long Term Note in the original principal amount of \$100 million, made by WilTel Technology Center, LLC (f/k/a Williams Technology Center, LLC), as borrower, WilTel Communications Group, LLC (f/k/a Williams Communications Group, Inc.), as guarantor, and WilTel Communications, LLC (f/k/a Williams Communications, LLC), as guarantor, in favor of the Williams Headquarters Building Company, dated October 15, 2002, (ii) Mortgage with Power of Sale, Security Agreement, Assignment of Leases, Rents and Profits, Financing Statement and Fixture Filing, dated as of October 15, 2002, made by WilTel Technology Center, LLC (f/k/a Williams Technology Center, LLC), as mortgagor, to Williams Headquarters Building Company, as mortgagee (the “Mortgage”), as amended by the First Amendment to the Mortgage, dated September 24, 2004, by and between Williams Headquarters Building Company and WilTel Technology Center, LLC (f/k/a Williams Technology Center, LLC) and (iii) Second Mortgage, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing dated as of October 15, 2002 by Williams Technology Center, LLC to Bank of America, N.A., as administrative agent, dated October 15, 2002, as amended and assigned by Assignment of Beneficiary’s Interest and Amendment to Mortgage, Assignment of Leases and Rents, Security Agreement and Financing Statement of WilTel Technology Center, LLC as Mortgagor in favor of Credit Suisse First Boston, acting through its Cayman Islands Branch, as Administrative Agent, as First Lien Administrative Agent and as Second Lien Administrative Agent, as Mortgagee, dated as of September 23, 2004;

“Company Real Property” -- See Section 5.12(b);

“Confidentiality Agreement” shall mean that certain Non-Disclosure Agreement by and among Leucadia, WilTel and Level 3, dated October 13, 2004, as amended;

“Contracts” -- See Section 5.18;

"Covered Employee" shall mean any employee of the Company or the Retained Subsidiaries having the title of director or above (other than the Chief Executive Officer of the Company as of the date hereof);

"Covered Matter" -- See Section 9.2(a)(vii);

"Deferred Compensation Plan" -- See Section 7.12(b);

"Discharged Real Estate Debt Documents" shall mean the (i) Short Term Note in the original principal amount of \$74,360,295.29, made by WilTel Technology Center, LLC (f/k/a Williams Technology Center, LLC), as borrower, WilTel Communications Group, Inc. (f/k/a Williams Communications Group, Inc.), as guarantor, and WilTel Communications, LLC (f/k/a Williams Communications, LLC), as guarantor, in favor of the Williams Headquarters Building Company, dated October 15, 2002, (ii) Pledge Agreement, dated as of October 15, 2002, made by CG Austria, Inc. to Williams Headquarters Building Company and (iii) Equitable Mortgage, dated as of October 15, 2002 made by CG Austria, Inc. to Williams Headquarters Building Company;

"Employee Benefit Plans" -- See Section 5.19(a);

"Environmental Laws" shall mean any applicable laws, regulations or other requirements of law relating to pollution or the protection of the environment or natural resources;

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, including the rules and regulations adopted thereunder;

"ERISA Affiliate" shall mean any Person under common control, or treated as a single employer, with the Company or any Retained Subsidiaries, within the meaning of Section 414(b), (c), (m) or (o) of the Code;

"Estimated Adjusted Net Working Capital" -- See Section 3.1(b);

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended;

"Excluded Assets" shall mean (i) all cash and cash equivalents (including checks payable to the Company or any of its Subsidiaries and deposited into a bank account or lock box prior to the Measurement Date) of the Company and its Subsidiaries as of the close of business on the Measurement Date to the extent in excess of \$100 million, (ii) marketable securities, (iii) all payments to the Company or any of its Affiliates receivable from SBC pursuant to the SBC Settlement Agreement, (iv) all right, title and interest in and to the Transferred Subsidiaries, (v) all other rights and assets set forth on Schedule 7.4 hereto and (vi) any cash received after the Measurement Date on account of any of the assets set forth in (ii), (iii) or (v) above;

"Excluded Liabilities" shall mean (i) all liabilities of the Company and its Subsidiaries set forth on Schedule 7.4 hereto (including, without limitation, liabilities relating to the Company's Credit Documents, the Company's Real Estate Debt Documents and the

Retirement Plan) and (ii) those liabilities and obligations of the Company and its Subsidiaries relating to or arising from the Excluded Assets;

"FCC" -- See Section 5.4;

"Financial Statements" -- See Section 5.8;

"Former Executive Retention Agreements" shall mean those agreements set forth on Schedule 1.5(b);

"GAAP" shall mean U.S. generally accepted accounting principles;

"Governmental Entity" shall mean any federal, state, local or foreign court, governmental, regulatory or other public body, agency or authority (including self-regulatory organizations), domestic or foreign;

"Hazardous Material" shall mean any hazardous substance, hazardous waste, contaminant, pollutant, or toxic substance as defined under applicable Environmental Laws, including petroleum and its fractions;

"HSR Act" -- See Section 5.4;

"Income Taxes" shall mean all Taxes based upon, measured by, or calculated with respect to (i) gross or net income or gross or net receipts or profits (including, but not limited to, any capital gains, alternative minimum taxes, net worth and any taxes on items of tax preference, but not including sales, use, goods and services, real or personal property transfer or other similar taxes), (ii) multiple bases (including, but not limited to, corporate franchise, doing business or occupation taxes) if one or more of the bases upon which such tax may be based upon, measured by, or calculated with respect to, is described in clause (i) above, or (iii) withholding taxes measured with reference to or as a substitute for any tax described in clauses (i) or (ii) above; and "Income Tax" shall mean any one of them;

"Indemnitee" -- See Section 9.4;

"Indemnitor" -- See Section 9.4;

"Independent Accounting Firm" -- See Section 3.2;

"Initial Restricted Period" -- See Section 7.11(a);

"Intellectual Property" shall mean U.S. and foreign rights under patent, copyright, moral rights, trademark and service mark (including the goodwill associated therewith), trade name, trade dress, industrial design, database rights, domain name, trade secret law or any other similar statutory provision or common law doctrine; all patents and patent applications in any jurisdiction pertaining to the foregoing, including re-issues, continuations, divisions, continuations-in-part, renewals or extensions; and all other applications or registrations related to the foregoing;

"IRS" shall mean the Internal Revenue Service;

"IRUs" -- See Section 5.18(c)(i)(B);

"July 31 Balance Sheet" -- See Section 5.8;

"Lease Agreement" -- See Section 10.6;

"Leased Real Property" -- See Section 5.12(b);

"Leases" -- See Section 5.12(b);

"Leucadia" -- See Preamble hereto;

"Level 3" -- See Preamble hereto;

"Level 3 Common Stock" shall mean common stock, par value \$0.01 per share, of Level 3;

"Level 3 SEC Reports" -- See Section 5.26(b);

"Licenses and Permits" -- See Section 5.15;

"Lien" shall mean any mortgage, pledge, security interest, encumbrance or title defect, lease, lien (statutory or other), conditional sale agreement, claim, charge, limitation or restriction;

"Listed Intellectual Property" -- See Section 5.14(b);

"Listed License Agreements" -- See Section 5.14(c);

"Losses" -- See Section 9.2(a);

"Material Adverse Effect" when used in connection with the Company and the Retained Subsidiaries or Level 3 and its Subsidiaries, as the case may be, shall mean any change, circumstance, effect or event that, individually or when taken together, is or would reasonably be expected to be materially adverse to (A) the business, assets, liabilities, condition (financial or other) or results of operations of the Company and the Retained Subsidiaries or Level 3 and its Subsidiaries, as the case may be, in each case taken as a whole, except in each case for any change, circumstance, effect or event (i) affecting the industry in which the Company or Level 3, as the case may be, operate in general and which does not disproportionately affect such entity in any material respect, (ii) affecting general economic, regulatory or political conditions, which does not disproportionately affect such entity in any material respect, or (iii) clearly shown to be directly resulting from this Agreement and the announcement or performance hereof and the transactions contemplated hereby, including without limitation, the direct impact thereof on relationships with customers, suppliers or employees, or (B) the ability of the Seller, Leucadia, the Company, the Retained Subsidiaries or WilTel Technology Center, LLC or Level 3 or its Subsidiaries, as the case may be, to perform their obligations under this Agreement, the Lease

Agreement or the Registration Rights Agreement to which they are a party or to consummate the transactions contemplated hereby or thereby, including as a consequence of any material impediment, interference or delay;

"Measurement Date" shall mean the earlier to occur of the Closing Date and December 31, 2005;

"Membership Units" -- See Recitals hereto;

"Miscellaneous Retention Plans" shall mean those items set forth on Schedule 1.5(a);

"Month End" -- See Section 3.1(b);

"Month End Balance Sheet" -- See Section 3.1(b);

"Multiemployer Plan" -- See Section 5.19(c);

"OPEB Plans" shall mean the WilTel Communications, LLC Health Plan for Full-time Employees and the WilTel Communications, LLC Insurance Plan;

"Organizational Documents" shall mean certificates of incorporation, by-laws, certificates of formation, limited liability company operating agreements, limited liability partnership agreements, partnership or limited partnership agreements or other formation or governing documents of a particular entity;

"Owned Real Property" -- See Section 5.12(a);

"PBGC" shall mean the Pension Benefit Guaranty Corporation;

"Permitted Lien" shall mean (i) all defects, exceptions, restrictions, easements, rights of way and encumbrances disclosed in policies of title insurance referred to in Section 5.12(a); (ii) statutory liens for current Taxes, assessments or other governmental charges not yet delinquent or the amount or validity of which is being contested in good faith by appropriate proceedings; (iii) mechanics', carriers', workers', repairers' and similar Liens arising or incurred in the ordinary course of business; (iv) zoning, entitlement and other land use and environmental regulations by any Governmental Entity; (v) title of a lessor under a capital or operating lease; (vi) purchase money security interests granted to vendors with respect to trade payables recorded on the Company's financial statements in accordance with GAAP and arising in the ordinary course of business; and (vii) such other imperfections in title, charges, easements, restrictions or encumbrances which do not interfere materially with the use, operation or enjoyment, or materially detract from the value of such property or asset;

"Person" shall mean any individual, corporation, company, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Entity or other entity;

"Post-Closing Tax Period" shall mean any taxable period beginning after the Closing Date and the portion starting the day following the Closing Date of any Straddle Period;

"Pre-Closing Taxes" shall mean all liability for Taxes of the Company or any of its Subsidiaries but, in the case of Taxes other than Income Taxes, only to the extent in excess of any Taxes reflected in the determination of the Actual Adjusted Net Working Capital for Pre-Closing Tax Periods, except for any such liability resulting from any transaction not in the ordinary course of business occurring on the Closing Date after the Closing;

"Pre-Closing Tax Period" shall mean any taxable period ending on or before the Closing Date and the portion ending on and including the Closing Date of any Straddle Period;

"Pre-Closing Transfers" -- See Section 7.4;

"Property Taxes" shall mean all real, personal and intangible property Taxes, and any similar Taxes;

"Purchase Price" -- See Section 2.1;

"Registration Rights Agreement" -- See Section 10.7;

"Registration Statement" -- See Section 7.5;

"Retained Subsidiaries" shall mean all Subsidiaries of the Company other than the Transferred Subsidiaries;

"Retirement Plan" -- See Section 7.12(a);

"SBC" shall mean SBC Communications Inc.;

"SBC Agreement" shall mean the Master Services Agreement among WilTel Communications, LLC, WilTel Local Network, LLC, SBC Services, Inc. and SBC Communications Inc., dated as of June 15, 2005;

"SBC Settlement Agreement" shall mean the Termination, Mutual Release and Settlement Agreement, dated June 15, 2005, among SBC, SBC Operations, Inc., SBC Long Distance, LLC, WilTel Communications Group, LLC, WilTel Communications LLC and Leucadia;

"Securities Act" shall mean the Securities Act of 1933, as amended;

"Seller" -- See Preamble hereto;

"Seller's Knowledge," or "Knowledge of the Seller," and other similar phrases shall mean the actual knowledge of the individuals listed on Schedule 1.2, after due inquiry of the senior employees of Leucadia, the Seller, the Company and its Subsidiaries who have administrative or operational responsibility for the particular subject matter in question;

"Severance Plan" shall mean the Company Severance Protection Plan effective as of December 1, 2004;

"Shared Network Circuits" -- See Section 5.18(i);

"Shares" -- See Section 2.1;

"Software" shall mean computer programs, including but not limited to source code, object code, executable code, programming tools, drawings, specifications and data related thereto, in any form, together with all related documentation;

"State PUC" shall mean a state public service and utility commission or similar Governmental Entity;

"Straddle Period" shall mean any taxable period that commences prior to and includes (but does not end on) the Closing Date;

"Straddle Period Tax Proceeding" -- See Section 7.13(f);

"Straddle Tax Return" shall mean any Tax Return required to be filed by the Company or any of its Subsidiaries in respect of a Straddle Period;

"Subsequent Restricted Period" -- See Section 7.11(b);

"Subsidiaries" shall mean, with respect to any Person, any corporation, association or other business entity of which more than 50% of the total voting power of shares of stock or other equity interest entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereto is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof;

"Substituted Shares" -- See Section 2.2;

"Substitution Rights" shall mean the Cash Substitution Right and the Benefit Plan Substitution Right;

"Tax Proceeding" -- See Section 7.13(e);

"Taxes" shall mean (i) all federal, state, local or foreign taxes, including, without limitation, income, gross income, gross receipts, production, excise, employment, sales, use, transfer, *ad valorem*, value added, profits, license, capital stock, franchise, severance, stamp, withholding, Social Security, employment, unemployment, disability, worker's compensation, payroll, utility, windfall profit, custom duties, personal property, real property, registration, alternative or add-on minimum, estimated and other taxes, governmental fees or like charges of any kind whatsoever, including any interest, penalties or additions thereto, whether disputed or not; (ii) any liability to pay amounts due pursuant to clause (i) on behalf of another Person, including any predecessor, under any contract, reimbursement or indemnity agreement, as transferee, successor or otherwise; and (iii) any liability of any Person, including any

predecessor, to pay amounts described in clause (i) by reason of liability imposed under Treasury Regulations § 1.1502-6 or similar provision imposing liability by reason of participation in a consolidated, combined, unitary or similar Tax Return or similar filing; and "Tax" shall mean any one of them;

"Tax Return" shall mean any report, return, information return, filing, claim for refund or other information, including any schedules or attachments thereto, and any amendments to any of the foregoing required to be supplied to a taxing authority in connection with Taxes;

"Technology" shall mean, collectively, discoveries, designs, formulas, algorithms, processes, procedures, models, methods (including but not limited to business methods), techniques, ideas, know-how, Software, tools, data, databases, confidential and proprietary information, inventions (whether on not patentable), creations, improvements, writings, designs, mask works or other works of authorship, and all recordings, graphs, drawings, reports, analyses, other writings, Uniform Resource Locators, Internet Web sites, and any other embodiment of the above, in any form whether or not specifically listed herein;

"Telecommunications Business" shall mean the business, other than the Vyvx Business of the Company and its Subsidiaries, consisting of an inter-city and local fiber-optic network providing Internet, data and voice and other telecommunications services;

"Transferee" -- See Section 7.4;

"Transferred Benefit Plans" shall mean the Retirement Plan and the Deferred Compensation Plan;

"Transferred Subsidiaries" shall mean WilTel Aircraft Leasing, LLC, a Delaware limited liability company, and WilTel Technology Center, LLC, a Delaware limited liability company, each of which is a Subsidiary of the Company on the date hereof and which shall cease to be a Subsidiary of the Company or the Retained Subsidiaries upon completion of the Pre-Closing Transfers;

"Vendor Contracts" -- See Section 5.18(c)(ii);

"Vyvx Business" shall mean the business segment of the Company that provides data services, transmits audio, video and multimedia content, and distributes advertising media in physical and electronic form; and

"WARN" shall mean the Worker Adjustment and Retraining Notification Act or any similar state or local "plant closing" law.

SECTION 2. PURCHASE AND SALE OF MEMBERSHIP UNITS.

SECTION 2.1. Components of Purchase Price. Subject to the terms and conditions set forth in this Agreement and in reliance upon the representations and warranties of the Seller set forth below, on the Closing Date the Buyer shall purchase from the Seller and the Seller shall sell to the Buyer, the Membership Units, free and clear of all Liens, for a total

purchase price (the "Purchase Price") consisting of (a) \$370 million in cash (as such amount may be adjusted pursuant to either Section 2.2 or Section 3 hereof, the "Cash Purchase Price"), (b) 115 million newly issued shares of Level 3 Common Stock (as such number of shares may be adjusted (i) pursuant to Section 2.2 hereof and (ii) as a result of any stock split, combination, subdivision or reclassification, merger, exchange of shares or other similar business combination transaction, or any dividends or distributions with respect to such shares of Level 3 Common Stock, in each case, after the date hereof and prior to the Closing (the "Shares")) and (c) an additional cash payment of \$100 million with respect to the cash balance to be retained by the Company as of the Measurement Date (the "Additional Cash Amount").

SECTION 2.2. Substitution Rights.

(a) Cash Substitution Right. Not less than three nor more than five Business Days prior to the Closing, the Buyer shall have the right, in its sole discretion, upon written notice to the Seller, to elect to reduce the number of Shares otherwise deliverable by the Buyer at the Closing and in lieu of such number of Shares not being delivered (such number of shares not being delivered hereunder referred to as the "Substituted Shares") pay cash to the Seller at the Closing (the "Cash Substitution Right"). If the Buyer exercises its Cash Substitution Right, (i) the Cash Purchase Price shall be increased by an amount equal to the product of (A) the number of such Substituted Shares (as adjusted as a result of any stock split, combination, subdivision or reclassification, merger, exchange of shares or other similar business combination transaction, or any dividends or distributions with respect to such shares of Level 3 Common Stock, in each case, after the date hereof and prior to the Closing) and (B) the greater of (1) the average of the volume weighted sales prices per share of Level 3 Common Stock as reported by the NASDAQ Stock Market for the 10 trading-day period ending upon the trading day immediately preceding the date the Buyer delivers written notice of its exercise of the Cash Substitution Right and (2) \$2.35, and (ii) the number of Shares deliverable at Closing shall be reduced by the number of such Substituted Shares.

(b) Benefit Plan Substitution Right. Not less than three nor more than five Business Days prior to the Closing, the Buyer shall have the right, in its sole discretion, upon written notice to the Seller, to elect to have the Company retain the sponsorship of the Transferred Benefit Plans and the related liabilities and obligations thereunder in respect of the participants in the Transferred Benefit Plans prior to the Closing Date (the "Benefit Plan Substitution Right"). If the Buyer exercises its Benefit Plan Substitution Right, (i) the number of Shares otherwise deliverable by the Buyer at the Closing (as adjusted as a result of any stock split, combination, subdivision or reclassification, merger, exchange of shares or other similar business combination transaction, or any dividends or distributions with respect to such shares of Level 3 Common Stock, in each case, after the date hereof and prior to the Closing) shall be reduced by a number equal to the quotient obtained by dividing \$80 million by the greater of (A) the average of the volume weighted sales prices per share of Level 3 Common Stock as reported by the NASDAQ Stock Market for the 10 trading-day period ending upon the trading day immediately preceding the date the Buyer delivers written notice of its exercise of the Benefit Plan Substitution Right and (B) \$2.35, (ii) the Transferred Benefit Plans shall no longer be Excluded Liabilities for purposes of this Agreement and shall be deemed removed from Schedule 7.4 for all purposes hereof and (iii) the assets of the Retirement Plan held in trust shall

no longer be Excluded Assets and shall be deemed removed from Schedule 7.4 for all purposes hereof.

SECTION 2.3. Closing Date Transactions. On the Closing Date, the Buyer shall (i) pay the Cash Purchase Price and the Additional Cash Amount by wire transfer of immediately available funds to such account (or accounts) as the Seller shall, not less than two Business Days prior to the Closing Date, designate in writing to the Buyer and (ii) issue the Shares to the Seller (with any fractional shares that would otherwise result rounded to the nearest whole number) free and clear of all Liens (other than Liens incurred by the Seller) and deliver or cause to be delivered to the Seller one or more certificates therefor registered in the name of the Seller. On the Closing Date, the Seller shall (a) deliver to the Buyer evidence of the Membership Units being purchased by the Buyer from the Seller against payment by the Buyer to the Seller of the Purchase Price for such Membership Units and (b) duly amend the Organizational Documents of the Company to reflect, effective as of the Closing Date, the admission of the Buyer as the sole member of the Company and the withdrawal of the Seller as a member of the Company.

SECTION 2.4. Allocation of Purchase Price.

(a) The Buyer and the Seller agree to treat the sale of the Membership Units as a sale of the assets of the Company by the Company to the Buyer for all federal, state and local Income Tax purposes (including treatment as a sale of the assets of any of the Company's Subsidiaries that are disregarded for tax purposes). As soon as reasonably practicable, but not later than 75 days following the Closing Date, the Buyer shall prepare and deliver to the Seller a schedule which shall set forth the allocation of the Purchase Price, liabilities and other related items among the assets of the Company (the "Allocation"). The Seller shall, within 40 days after the date on which the Allocation is delivered to the Seller, provide the Buyer with a written notice stating those items to which the Seller takes exception. If a change proposed by the Seller is disputed by the Buyer, then the Seller and the Buyer shall negotiate in good faith to resolve such dispute. If the Buyer and the Seller agree to the Allocation, the parties further agree to act in accordance with the Allocation in any federal, state and local income and franchise Tax Returns.

(b) If and to the extent the Buyer and the Seller agree to the Allocation, promptly after the Closing Date (but not before a resolution of all disputes, if any, with regard to the Closing Balance Sheet) the Buyer shall prepare, in consultation with the Seller or the Seller's designee, those statements or forms (including Form 8594) required by Section 1060 of the Code and the Treasury regulations promulgated thereunder with respect to the Allocation. Such statements or forms shall be prepared consistently with the Allocation if and to the extent the Buyer and the Seller agree to the Allocation. Such statements or forms shall be filed by the parties on their respective federal income Tax Returns as required by Section 1060 of the Code and the Treasury regulations promulgated thereunder and each party shall provide the other party with a copy of such statement or form as filed.

SECTION 2.5. Further Assurances. Consistent with the terms and conditions of this Agreement and to effectuate the purposes of this Agreement and the other Pre-Closing Transactions, after the Closing Date, (i) the Buyer and its Affiliates shall execute and deliver to the Seller such further instruments of assignment, transfer, conveyance, endorsement, direction

or authorization and such other documents reasonably requested by the Seller in order to perfect title of the Seller to the Excluded Assets and shall transfer to the Seller any proceeds (insurance, litigation or otherwise) of such assets realized or received by the Buyer or its Affiliates after the Closing Date and (ii) the Seller and its Affiliates shall execute and deliver to the Buyer such further instruments of assignment, transfer, conveyance, endorsement, direction or authorization and such other documents reasonably requested by the Buyer in order to perfect title of the Buyer and its Affiliates to the assets, rights and business conveyed hereunder and shall transfer to the Buyer the proceeds (insurance, litigation or otherwise) of such assets realized or received by the Seller or its Affiliates after the Closing Date.

SECTION 3. ADJUSTMENT TO PURCHASE PRICE.

In addition to any adjustment relating to the Buyer's exercise of the Cash Substitution Right or the Benefit Plan Substitution Right, the Purchase Price shall be subject to adjustment as follows:

SECTION 3.1. Closing Date Adjustments. At the Closing, the Purchase Price shall be adjusted as set forth in this Section 3.1.

(a) If the Closing occurs after December 31, 2005, then the Cash Purchase Price payable by the Buyer on the Closing Date shall be increased by an amount equal to the interest on \$370 million from January 1, 2006 to (but not including) the Closing Date at a rate of 6.0% per annum.

(b) Prior to the Closing (but no less than two Business Days prior to the Closing Date), the Seller shall deliver to the Buyer (i) the consolidated balance sheet of the Company and the Retained Subsidiaries as of December 31, 2005 or (ii) if the balance sheet described in clause (i) is not available, the then most recent regularly prepared month end consolidated balance sheet of the Company and the Retained Subsidiaries (which shall be as of a date not more than 50 days prior to the Closing Date). The balance sheet delivered pursuant to the foregoing sentence is referred to as the "Month End Balance Sheet" and the date of such Month End Balance Sheet is referred to as the "Month End." The Month End Balance Sheet shall be accompanied by a schedule setting forth an estimate of the Adjusted Net Working Capital as of the close of business on the Month End (the "Estimated Adjusted Net Working Capital"). The Month End Balance Sheet shall be prepared in accordance with GAAP (except for the exclusion of the Transferred Subsidiaries), applied on a basis consistent with (except for the exclusion of the Transferred Subsidiaries), and following the accounting principles, procedures, policies and methods employed in preparing, the unaudited consolidated balance sheet of the Company and its Subsidiaries as of August 31, 2005 (the "August 31 Balance Sheet"). If the Estimated Adjusted Net Working Capital set forth on the schedule accompanying the Month End Balance Sheet is less than \$26 million, the Cash Purchase Price payable to the Seller at the Closing shall be reduced by an amount equal to such deficiency. If the Estimated Adjusted Net Working Capital set forth on the schedule accompanying the Month End Balance Sheet exceeds \$26 million, the Cash Purchase Price payable to the Seller at the Closing shall be increased by an amount equal to such surplus.

SECTION 3.2. Post-Closing Determination. Within 60 calendar days after the Closing Date, the Seller shall deliver to the Buyer the consolidated balance sheet of the Company and the Retained Subsidiaries as of the close of business on the Measurement Date (the "Closing Balance Sheet"). The Closing Balance Sheet shall be prepared in accordance with GAAP (except for the exclusion of the Transferred Subsidiaries), applied on a basis consistent with (except for the exclusion of the Transferred Subsidiaries), and following the accounting principles, procedures, policies and methods employed in preparing, the August 31 Balance Sheet. The Closing Balance Sheet shall be accompanied by a schedule setting forth the actual Adjusted Net Working Capital as of the close of business on the Measurement Date (the "Actual Adjusted Net Working Capital"). During the preparation of the Closing Balance Sheet by the Seller and the period of any dispute with respect to the application of this Section 3.2, the Buyer shall cooperate with the Seller to the extent reasonably requested by the Seller to prepare the Closing Balance Sheet and the Actual Adjusted Net Working Capital Report or to investigate the basis for any dispute. The calculation of the Actual Adjusted Net Working Capital shall be examined by the Buyer who shall, not later than 30 calendar days after receipt of the Closing Balance Sheet, deliver a report thereon (the "Actual Adjusted Net Working Capital Report") to the Seller. The Actual Adjusted Net Working Capital Report shall list those items included in the Actual Adjusted Net Working Capital, if any, to which the Buyer takes exception and the Buyer's proposed adjustment. If the Buyer fails to deliver to the Seller the Actual Adjusted Net Working Capital Report within 30 calendar days following receipt of the Closing Balance Sheet, the Buyer shall be deemed to have accepted the Actual Adjusted Net Working Capital for the purposes of any adjustment to the Purchase Price under Section 3.3. If the Seller does not give the Buyer notice of its objections to the Actual Adjusted Net Working Capital Report within 30 calendar days following receipt of the Actual Adjusted Net Working Capital Report, the Seller shall be deemed to have accepted the Closing Balance Sheet as adjusted by the Buyer in the Actual Adjusted Net Working Capital Report for the purposes of any adjustment to the Purchase Price under Section 3.3. If the Seller gives the Buyer notice of its objections to the Actual Adjusted Net Working Capital Report, and if the Seller and the Buyer are unable, within 15 calendar days after receipt by the Buyer of the notice from the Seller of objections, to resolve the disputed exceptions, such disputed exceptions will be referred to Deloitte & Touche LLP or another firm of independent certified public accountants (the "Independent Accounting Firm") mutually acceptable to the Seller and the Buyer. The Independent Accounting Firm shall, within 60 days following its selection, deliver to the Seller and the Buyer a written report determining such disputed exceptions, and its determinations will be conclusive and binding upon the parties thereto for the purposes of any adjustment to the Purchase Price under Section 3.3. The fees and disbursements of the Independent Accounting Firm acting under this Section 3.2 shall be apportioned between the Buyer and the Seller based on the total dollar value of disputed exceptions resolved in favor of each such party, with each such party bearing such percentage of the fees and disbursements of the Independent Accounting Firm as the aggregate disputed exceptions resolved against that party bears to the total dollar value of all disputed exceptions considered by the Independent Accounting Firm. For the avoidance of doubt, the delivery and timing of receipt of any document sent by the parties pursuant to this Section 3 shall be governed by the provisions set forth in Section 13.5 – "Notices."

SECTION 3.3. Post-Closing Adjustment.

(a) If the Actual Adjusted Net Working Capital is less than the Estimated Adjusted Net Working Capital, the Seller shall, within three calendar days following the final determination of the Actual Adjusted Net Working Capital pursuant to Section 3.2, and based upon such final determination, pay to the Buyer the amount of such deficiency in cash, together with interest on such amount from and including the Closing Date to but excluding the date of payment at a rate of 6.0% per annum. Any payment by the Seller to the Buyer under this Section 3.3(a) shall be made by wire transfer of immediately available funds to such account as the Buyer shall designate in writing to the Seller.

(b) If the Actual Adjusted Net Working Capital is more than the Estimated Adjusted Net Working Capital, the Buyer shall, within three calendar days following the final determination of the Actual Adjusted Net Working Capital pursuant to Section 3.2, and based upon such final determination, pay to the Seller the amount of such excess in cash, together with interest on such amount from and including the Closing Date to but excluding the date of payment at a rate of 6.0% per annum. Any payment by the Buyer to the Seller under this Section 3.3(b) shall be made by wire transfer of immediately available funds to such account as the Seller shall designate in writing to the Buyer.

SECTION 3.4. Estimate of Adjusted Net Working Capital. Schedule 3.4 sets forth an estimate of the Adjusted Net Working Capital as of August 31, 2005, it being agreed that the August 31, 2005 Adjusted Net Working Capital is provided for illustrative purposes only and is not intended to be a binding expression of any Adjusted Net Working Capital calculation required under this Agreement.

SECTION 4. CLOSING.

The closing (the "Closing") for the consummation of the transactions contemplated by this Agreement shall take place at the offices of Willkie Farr & Gallagher LLP at 787 Seventh Avenue, New York, New York 10019 at 10:00 a.m. on the third Business Day after all the conditions to the obligations of the parties hereunder set forth in Sections 10 and 11 hereof have been satisfied or waived (other than those conditions that are not capable of being satisfied until the Closing, but subject to the satisfaction or waiver of those conditions), or at such other place and time as may be mutually agreed to by the parties hereto (the "Closing Date").

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE SELLER.

In this Section 5, (a) none of the representations and warranties contained herein relate to the Transferred Subsidiaries, the Excluded Assets or the Excluded Liabilities, in each case, unless expressly stated otherwise, and (b) all of the representations and warranties relate solely to and include the Businesses, the Company and the Retained Subsidiaries, in each case, unless expressly stated otherwise.

The Seller hereby represents and warrants to the Buyer as follows:

SECTION 5.1. Corporate Organization. Each of the Seller, Leucadia, the Company, the Retained Subsidiaries and WilTel Technology Center, LLC is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite corporate, limited liability company or limited partnership power (as the case may be) to own its properties and assets and to conduct its business as now conducted. Copies of the Organizational Documents of the Seller, the Company, each of the Retained Subsidiaries and WilTel Technology Center, LLC, with all amendments thereto to the date hereof, have been furnished or made available to the Buyer or its representatives, and such copies are accurate and complete as of the date hereof. A complete and correct chart showing the Company and all of its direct and indirect Subsidiaries is set forth in Schedule 5.1.

SECTION 5.2. Qualification to Do Business. Each of the Seller, Leucadia, the Company and the Retained Subsidiaries is duly qualified to do business as a foreign corporation, limited liability company or partnership (as the case may be) and is in good standing in every jurisdiction in which the character of the properties owned or leased by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Company and the Retained Subsidiaries. Schedule 5.2 sets forth all jurisdictions in which each of the Company and the Retained Subsidiaries are qualified to do business.

SECTION 5.3. No Conflict or Violation. The execution, delivery and performance by Leucadia and the Seller of this Agreement and the Registration Rights Agreement and by the Company and WilTel Technology Center, LLC of the Lease Agreement do not and will not (i) violate or conflict with any provision of any Organizational Document of Leucadia, the Seller, the Company or any of its Subsidiaries, (ii) violate any provision of law, or any order, judgment or decree of any Governmental Entity, (iii) except as set forth in Schedule 5.3, violate or result in a breach of or constitute (with due notice or lapse of time or both) a default under any Contract or result in the creation or imposition of any Lien upon any of the assets, properties or rights of either of the Company or any of its Subsidiaries or result in or give to others any rights of cancellation, modification, amendment, acceleration, revocation or suspension of any of the Contracts or obligations thereunder, or Licenses and Permits that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect on the Company and the Retained Subsidiaries or (iv) violate or result in a breach of or constitute (with due notice or lapse of time or both) a default under any material contract, agreement or instrument to which the Seller or Leucadia is a party or by which it is bound or to which any of its properties or assets is subject that, individually or in the aggregate, would reasonably be expected to have a material adverse effect on the ability of the Seller, Leucadia or WilTel Technology Center, LLC to perform their respective obligations under this Agreement, the Lease Agreement and the Registration Rights Agreement or to consummate the transactions contemplated hereby or thereby, including as a consequence of any material impediment, interference or delay.

SECTION 5.4. Consents and Approvals. Except as set forth in Schedule 5.4, no consent, waiver, authorization or approval of any Governmental Entity, and no declaration or notice to or filing or registration with any Governmental Entity, is required in connection with the execution and delivery by Leucadia or the Seller of this Agreement, by Leucadia and the

Seller of the Registration Rights Agreement and by the Company and WilTel Technology Center, LLC of the Lease Agreement or the performance by Leucadia, the Seller, the Company or WilTel Technology Center, LLC of their respective obligations hereunder or thereunder, except for (i) the filing of Notification and Report Form under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended (the "HSR Act"), (ii) filings required under, and compliance with other applicable rules, regulations and requirements of, the Federal Communications Commission (the "FCC") and the relevant State PUC's set forth on Schedule 5.4, and (iii) such other governmental consents, waivers, authorizations, approvals, declarations, notices, filings or registrations that in the case of this clause (iii), if not obtained, made or given, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Company and the Retained Subsidiaries.

SECTION 5.5. Authorization and Validity of Agreement. Leucadia and the Seller have all requisite corporate power and authority to enter into this Agreement and the Registration Rights Agreement and to carry out their respective obligations hereunder and thereunder. The Company and WilTel Technology Center, LLC have all requisite limited liability company power to enter into the Lease Agreement and to carry out their obligations thereunder. The execution and delivery of this Agreement, the Lease Agreement and the Registration Rights Agreement and the performance of the respective obligations of Leucadia, the Seller, the Company, and WilTel Technology Center, LLC hereunder and thereunder have been duly authorized by all necessary limited liability company or corporate action (as the case may be) and no other limited liability company or corporate proceedings (as the case may be) on the part of Leucadia, the Seller, the Company or WilTel Technology Center, LLC are necessary to authorize such execution, delivery and performance. This Agreement has been duly executed by Leucadia and the Seller and, assuming due execution and delivery by Level 3 and the Buyer, shall constitute their valid and binding obligation, enforceable against them in accordance with its terms, subject to (i) the effect of bankruptcy, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting the enforcement of creditors' rights generally, (ii) general equitable principles (whether considered in a proceeding in equity or at law) and (iii) an implied covenant of good faith and fair dealing.

SECTION 5.6. Capitalization and Related Matters.

(a) All of the outstanding Membership Units are validly issued, fully paid and nonassessable and are held solely of record and beneficially by the Seller, a wholly owned indirect subsidiary of Leucadia. The Seller has, as of the date hereof and shall have on the Closing Date, valid and marketable title to all of the Membership Units, free and clear of any Liens, other than those Liens under the Company's Credit Documents. The Membership Units are the sole outstanding securities of the Company; the Company does not have outstanding any securities convertible into or exchangeable for any Membership Units, any rights to subscribe for or to purchase or any options for the purchase of, or any agreements providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any other character relating to the issuance of, any Membership Units, or any stock or securities convertible into or exchangeable for any Membership Units; and neither Leucadia, the Seller, any Affiliate of the Seller nor the Company is subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire, or to register under the Securities Act, any Membership Units.

(b) Except as set forth on Schedule 5.6(b), all of the outstanding shares of capital stock, or membership units or other ownership interests of, each Retained Subsidiary, as applicable, is validly issued, fully paid and nonassessable and is owned of record and beneficially by the Company or another Retained Subsidiary. Except as set forth on Schedule 5.6(b), the Company has, as of the date hereof and shall have on the Closing Date, valid and marketable title, directly or indirectly, to all of the shares of capital stock of, or membership units or other ownership interests in, each Retained Subsidiary, free and clear of any Liens, other than those Liens under the Company's Credit Documents. Such outstanding shares of capital stock of, or membership units or other ownership interests in, the Retained Subsidiaries, as applicable, are the sole outstanding securities of the Retained Subsidiaries; the Retained Subsidiaries do not have outstanding any securities convertible into or exchangeable for any capital stock of, or membership units or other ownership interests in, the Retained Subsidiaries, any rights to subscribe for or to purchase or any options for the purchase of, or any agreements providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any other character relating to the issuance of, any capital stock of, or membership units or other ownership interests in, the Retained Subsidiaries, or any stock or securities convertible into or exchangeable for any capital stock of, or membership units or other ownership interests in, the Retained Subsidiaries; and neither Leucadia, the Seller, any Affiliate of the Seller, the Company or any Retained Subsidiary is subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire, or to register under the Securities Act, any capital stock of, or membership units or other ownership interests in, any Retained Subsidiary.

SECTION 5.7. Equity Investments. Except as set forth in Schedule 5.7, the Company and its Subsidiaries do not directly or indirectly own, or hold any rights to acquire, any capital stock or any other securities, interests or investments in any other Person other than the Subsidiaries and investments that constitute cash, cash equivalents or marketable securities that constitute Excluded Assets. Upon the Closing, neither the Company nor any Retained Subsidiary will directly or indirectly own, or hold any rights to acquire, any such capital stock, securities, interests or investments in the Transferred Subsidiaries.

SECTION 5.8. Financial Statements. The Seller has heretofore furnished to the Buyer (a) copies of the audited consolidated balance sheet of the Company and its Subsidiaries as of November 5, 2003, together with the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the period from January 1, 2003 to November 5, 2003, the period from November 1, 2002 to December 31, 2002, and the period from January 1, 2002 to October 31, 2002 and the notes thereto, accompanied by the reports thereon of Ernst & Young LLP, (b) copies of the audited consolidated balance sheets of the Company and its Subsidiaries at December 31, 2004 and December 31, 2003, together with the results of their operations and cash flows for the year ended December 31, 2004 and the period from November 6, 2003 through December 31, 2003 and the notes thereto, accompanied by the reports thereon of PricewaterhouseCoopers LLP and (c) copies of the unaudited August 31 Balance Sheet, together with the related consolidated unaudited statements of operations and statement of cash flows for the period then ended attached hereto as Schedule 5.8 (the "August Financial Statements" and together with the financial statements referred to in clauses (a) and (b) above being hereinafter collectively referred to as the "Financial Statements"). The Financial Statements (including with regard to clauses (a) and (b) above the notes thereto) (i) were prepared in accordance with GAAP (other than the statement of cash flows referred to in clause (c) above), applied on a consistent

basis throughout (x) the periods covered by the Financial Statements in clause (b) above and (y) the periods covered by the Financial Statements in clause (c) above, and (ii) present fairly in all material respects the financial position, results of operations, cash flows and changes in financial position of the Company and its Subsidiaries as of such dates and for the periods then ended (subject, in the case of the August Financial Statements, to normal year-end audit adjustments consistent with prior periods and except that such August Financial Statements do not contain all footnote disclosures normally required under GAAP). The August Financial Statements have been prepared on a basis consistent with those Financial Statements set forth in clause (b) above and the accounting methods employed in preparing the unaudited consolidated balance sheet of the Company and its Subsidiaries as of July 31, 2005 (the "July 31 Balance Sheet"), together with the related consolidated unaudited statement of operations for the period then ended (copies of each of which the Seller has heretofore furnished to the Buyer). Since December 31, 2004, there has not been any change in any method of accounting of either of the Company or any of the Retained Subsidiaries. The Company has recorded the adjustments set forth in the column "Estimated Adjustments" on Schedule 5.8 in accordance with GAAP.

SECTION 5.9. Absence of Certain Changes or Events.

(a) Except as set forth in Schedule 5.9 or as reflected in the July 31 Balance Sheet, since July 31, 2005, there has not been:

- (i) any Material Adverse Effect on the Company and the Retained Subsidiaries;
- (ii) any material loss, damage, destruction or other casualty to the assets or properties of either of the Company or any of the Retained Subsidiaries (other than any for which insurance awards have been received or guaranteed); or
- (iii) through the date hereof any loss of the employment, services or benefits of any employee of the Company or any of its Subsidiaries with the title of vice president or above.

(b) Since July 31, 2005, the Company and the Retained Subsidiaries have operated in the ordinary course of their business consistent with past practice and, except (1) as set forth in Schedule 5.9 hereto, (2) with respect to any Excluded Assets or Excluded Liabilities, (3) Liens in connection with the Company's Credit Documents, (4) as otherwise reflected in the July 31 Balance Sheet or (5) as otherwise permitted or required under this Agreement, each of the Company and the Retained Subsidiaries has not:

- (i) failed to discharge or satisfy any Lien or pay or satisfy any obligation or liability (whether absolute, accrued, contingent or otherwise), other than liabilities being contested in good faith and for which adequate reserves have been provided and Permitted Liens;
- (ii) mortgaged, pledged or subjected to any Lien (other than Permitted Liens) any of its assets, properties or rights material to the operation of the Businesses as currently conducted;

- (iii) sold or transferred any of its material assets or canceled any material debts or claims or waived any material rights;
- (iv) sold or transferred (other than to a Retained Subsidiary) any patents, trademarks or copyrights or any patent, trademark or copyright applications;
- (v) defaulted on any material obligation;
- (vi) entered into any transaction material to its business, except in the ordinary course of business consistent with past practice;
- (vii) laid off any significant number of its employees;
- (viii) discontinued the offering of any material services or product of the Businesses;
- (ix) incurred any material obligation or liability for the payment of severance benefits;
- (x) declared, paid, or set aside for payment any dividend or other distribution in respect of shares of its capital stock, membership units or other securities, or redeemed, purchased or otherwise acquired, directly or indirectly, any shares of its capital stock, membership units or other securities, or agreed to do so (other than the Pre-Closing Transfers); or
- (xi) entered into any agreement or made any commitment to do any of the foregoing.

SECTION 5.10. Tax Matters. Except as set forth on Schedule 5.10,

(a) (i) the Company and each of its Subsidiaries and each of their predecessors, if any, has filed (or has been included in the filing of) on or prior to the due date (after giving effect to any extensions) all material Tax Returns required by applicable law to be filed with respect to the Company and each of its Subsidiaries and all Taxes shown to be due on such Tax Returns have been timely paid; (ii) all such Tax Returns were true, correct and complete in all material respects as of the time of such filing; (iii) all material amounts of Taxes owed by the Company (whether or not shown on any Tax Return) and each of its Subsidiaries and each of their predecessors, if required to have been paid, have been paid (except for Taxes which are being contested in good faith, with adequate reserves being established in accordance with GAAP); and (iv) any liability of the Company or any of its Subsidiaries for Taxes not yet due and payable, or which are being contested in good faith, have been provided for on the financial statements of the Company in accordance with GAAP or the books and records of the Company in accordance with GAAP;

(b) there is no action, suit, proceeding, investigation, audit or claim now pending against the Company or any of its Subsidiaries in respect of any Tax, nor, to the Seller's Knowledge, has any claim for additional Tax been overtly threatened by any Tax authority;

(c) since January 1, 1995, no claim has been made by any Tax authority in a jurisdiction where the Company or any of its Subsidiaries has not filed a Tax Return that it is or may be subject to Tax by such jurisdiction, nor to the Seller's Knowledge, is any such assertion overtly threatened;

(d) (i) there is no outstanding request for any extension of time for the Company or any of its Subsidiaries to pay any Taxes or file any Tax Returns; (ii) there has been no waiver or extension of any applicable statute of limitations for the assessment or collection of any Taxes of the Company or any of its Subsidiaries that is currently in force, and no power of attorney granted by or with respect to the Company and its Subsidiaries for Taxes is currently in force; (iii) the statute of limitation for tax years concerning any material tax or any material amount of tax of the Company and its Subsidiaries has closed for all years ending prior to January 1, 1995; and (iv) neither the Company nor any of its Subsidiaries is a party to or bound by any agreement, whether written or unwritten, providing for the payment of Taxes, payment for Tax losses, entitlements to refunds or similar Tax matters;

(e) the Company and each of its Subsidiaries have withheld, collected and paid all Taxes required to be withheld in connection with any amounts paid or owing to any employee, creditor, independent contractor or other third party;

(f) the Seller is not a "foreign person" within the meaning of Section 1445 of the Code;

(g) none of the Company's Subsidiaries that is or was treated as an association taxable as a corporation for U.S. federal income tax purposes has distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was governed in whole or in part by Section 355 of the Code (i) within the past 2 years or (ii) in a distribution that would otherwise constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code) in conjunction with the transaction contemplated by this Agreement;

(h) each of the Subsidiaries that is or was treated as an association taxable as a corporation for U.S. federal income tax purposes has disclosed on its federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of federal income Tax within the meaning of Section 6662 of the Code;

(i) (i) neither the Company nor any of its Subsidiaries is a party to any Contract, arrangement or plan that would result, separately or in the aggregate, in a payment by reason of the transactions contemplated by this Agreement that would not be deductible under Section 280G of the Code (or any corresponding provision of state, local or foreign Tax law); and (ii) the disallowance of a deduction under Section 162(m) of the Code (or any corresponding provision of state, local or foreign Tax law) for employee remuneration will not apply to any amount paid or payable by the Company under any Contract, benefit plan, program, arrangement or understanding currently in effect;

(j) (i) none of the assets, properties or rights of the Company and its Subsidiaries are "tax-exempt use property" within the meaning of Section 168(h) of the Code;